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EQUIPMENT LEASE

~~INTERSTATE COMMERCE COMMISSION~~

THIS EQUIPMENT LEASE dated as of November 30, 1974, between Consolidated Rail Corporation (the "Lessor"), and Robert C. Haldeman, Trustee of the property of Lehigh Valley Railroad Company, Debtor, solely in the capacity as Trustee and not individually (the "Lessee");

WITNESSETH:

SECTION I. MANUFACTURE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Purchase and Lease. The Lessor is purchasing certain equipment (collectively the "Equipment" and individually an "Item of Equipment") described in Schedule A attached hereto and made a part hereof pursuant to a Purchase Order (the "Purchase Order") dated as of November 30, 1974, with General Electric Corporation (Locomotive Products Department) (the "Manufacturer"), which Purchase Order has been assigned by the Lessee to the Lessor pursuant to an Assignment dated as of November 30, 1974, (the "Assignment") and in accordance with the Lessee's agreement with the Federal Railroad Administrator ("Administrator") dated November 30, 1974, pursuant to Section 215 of the Regional Rail Reorganization Act of 1973 (the "Act"). Upon delivery of each Item of Equipment by the Manufacturer, and the execution and delivery by the Lessee on behalf of the Lessor of a Certificate of Acceptance therefor, substantially in the form of Exhibit 1 to the Purchase Order, the Lessee, prior to placing such Item of Equipment in service, acknowledges he is leasing such Item of Equipment from the Lessor, subject to the provisions of the Purchase Order. The Lessor agrees to lease each such Item of Equipment to the Lessee and the Lessee agrees to hire each such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.2. Inspection and Acceptance. Upon delivery of each Item of Equipment by the Manufacturer, an authorized representative of the Lessee will inspect such Item of Equipment, and if such Item of Equipment tendered for delivery appears to meet the designated Specifications described in the Purchase Order (the "Specifications"), such representative will accept delivery thereof on behalf of the Lessor and execute and deliver to the Manufacturer and the Lessor duplicate Certificates of Acceptance.

1.3. Certificate of Acceptance. The Lessee's execution and delivery to the Lessor of a Certificate of Acceptance with respect to each Item of Equipment shall conclusively establish that, as between the Lessee and the Lessor, but without limiting or otherwise affecting the Lessee or Lessor's rights, if any, against the Manufacturer, such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the Specifications and all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any. The execution of a Certificate of Acceptance with respect to an Item of Equipment shall constitute representation by the Lessee to the Lessor that the Lessee has no knowledge of any such defect in such Item of Equipment at the time of execution.

SECTION 2. RENTS AND PAYMENT DATES

2.1. The Rent for Equipment. The Lessee agrees to pay to the Lessor rent for each Item of Equipment as calculated by the tables of Schedule B hereto. Such rent does not include any other payments or additional rents as may be required by Sections 4.4, 7, 8.1, 10.1, and 21, or any other Sections of this Lease. Upon notification by the Lessor to the Lessee of the cost of money to the Lessor, the Lessee shall acknowledge, prior to closing, the rent calculated pursuant to Schedule B. For all Items of Equipment delivered and accepted on or before December 31, 1974, Lessee agrees to pay per diem per Item of Equipment from the date of acceptance to and including December 31, 1974, as stated in Schedule B, said period being known as "Preliminary Term". The Primary Term of this Lease ("Primary Term") shall begin on January 1, 1975. Rent due under the Preliminary Term for each Item of Equipment delivered and accepted prior to December 31, 1974, shall be aggregated and such payment shall be made on January 2, 1975. Rent due under the Primary Term shall be paid quarterly beginning with March 31, 1975, and continuing until the Lease is terminated according to its terms.

2.2. Place and Manner of Rent Payment. The Lessor instructs the Lessee to make, and Lessee agrees to make, all payments provided for in this Lease in immediately available Washington Funds or Federal Funds (including but not limited to the payments required under Section 2.1 hereof) for the account of the Lessor, care of Riggs National Bank, 1503 Pennsylvania Avenue, N.W., Washington, D.C. 20005, to the attention of Consolidated Rail Corporation, on or before 10:00 a.m., Washington time, on the date upon which payments are due and payable. With respect to payments made in immediately available Washington Funds, the Lessee shall instruct the bank transferring said Funds on the Lessee's behalf to wire advise of such transfer to the Riggs

National Bank, to the attention of Consolidated Rail Corporation at the aforesaid address not later than 10:00 a.m. Washington time on the rental payment date. With respect to payments made in Federal Funds, the Lessee shall instruct the Bank transferring said Funds on the Lessee's behalf to make said payment to the Riggs National Bank, to the attention of the Consolidated Rail Corporation.

2.3. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Manufacturer of the Equipment, nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to the Equipment (except for any defect or failure of title resulting from acts or omissions of the Lessor) or any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding. It is the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, by conveyance of all or part of the Lessee's interest under this Lease to the Lessor or any other party pursuant to Section 303 of the Act, or until pursuant to Section 13 hereof, the Equipment is made available to Lessor; provided, however, that neither this Section 2.3, nor any other provision of this Lease shall preclude any separate independent claim (not by way of any abatement or reduction of any amount at any time payable by the Lessee hereunder) by the Lessee for the breach of any representation, covenant, undertaking or agreement made herein by the Lessor.

SECTION 3. TERM OF THE LEASE.

The preliminary term of this Lease as to each Item of Equipment shall begin on the date of delivery of a certificate of acceptance by the Lessee to the Lessor for such Item of Equipment, and subject to the provisions of Sections 11 and 16, shall terminate on the commencement of the Primary Term. The Primary Term of this Lease as to each Item of Equipment shall begin on

January 1, 1975, and shall terminate, in the case of each Item of Equipment, upon the earliest of (a) a lapse of two years following the commencement of the Primary Term, (b) upon conveyance of the Lessee's interest under this Lease pursuant to Section 303 of the Act, (c) entry of an order of the Debtor's reorganization court ordering the Debtor to cease all railroad operations, or (d) if the Debtor should cease to be a railroad in reorganization as defined in Section 102(2) of the Act, providing any such decision should not be subject to further appeal to any court of competent jurisdiction. The Lease may be renewed in accordance with the provisions of Section 22 of this Lease.

SECTION 4. OWNERSHIP AND MARKING OF THE EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment, notwithstanding the delivery thereof to and the possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee shall cause each Item of Equipment to be kept numbered with its road number as set forth in Schedule A and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stenciled upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Owned by a Secured Party under a Security Agreement
Filed under the Interstate Commerce Act, Section 20c"

with appropriate changes thereof and additions thereto as from time to time may be reasonably requested by the Lessor in order to protect the title of the Lessor to such Item of Equipment and the rights of the Lessor under this Lease. The Lessee shall not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee shall not change the road number of any Item of Equipment except with the written consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited by the Lessee in all public offices where this Lease shall have been filed, recorded or deposited by the Lessee.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee shall not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on transportation equipment used by it of the same or a similar type for convenience of the identification of the right of the Lessee to use the Equipment under this Lease.

4.4. Indemnification for Improper Marking. The Lessee shall indemnify the Lessor against any liability, loss or expense incurred by either of them as a result of any act or omission of the Lessee which is inconsistent with Sections 4.2 and 4.3 hereof.

SECTION 5. WARRANTIES AS TO EQUIPMENT

5.1. DISCLAIMER OF WARRANTIES. EXCEPT AS OTHERWISE PROVIDED IN SECTION 5.2, AS BETWEEN LESSOR AND LESSEE, LESSOR LEASES THE EQUIPMENT TO THE LESSEE, AS IS WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS OR MERCHANTABILITY OF ANY ITEM OR ITEMS OR EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) INTERFERENCE BY ANY PARTY OTHER THAN LESSOR WITH THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (D) ANY OTHER MATTER WHATSOEVER (other than Lessor's Warranty), IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE.

5.2. Enforcement of Warranties. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturer in respect thereof, provided that upon 10 business days written notice to the Lessee, the Lessor may enforce in its own name any such rights, Lessor hereby warrants that (i) the Lessor has received whatever title to such property as was conveyed to the Lessor by the Lessor's predecessor in title to such property; and (ii) such property will be free of all liens, charges, encumbrances, claims or security interests which either (A) result from action taken or omissions to act by the Lessor which are not expressly permitted by this Lease or which are not expressly requested or consented to by the Lessee in writing or (B) result from action taken or omissions to act by the Lessor other than with respect to the Equipment or in connection with this Lease (such warranty being known as "Lessor's Warranty").

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. Except as provided in Sections 5, 11 and 16 hereof, the Lessee shall defend, indemnify and save harmless the Lessor from and against any claim, cause of action, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may reasonably be incurred in any manner by or for the account of either of them (i) relating to the Equipment or any part thereof, including, without limitation, the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements or (iv) based on any event which results in any claim for negligence or strict liability in tort relating to the equipment.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability contained in this Section 6 shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in clause (i), (ii) or (iv) of Section 6.1 hereof occurring after the termination of this Lease or in respect of any matters referred to in clause (iii) of Section 6.1 hereof arising out of alterations to the Equipment by the Lessor (except for any such matters occurring after such termination arising in connection with the Lessee's performance of its obligations under Section 13 or 18 hereof). The Lessor shall give the Lessee prompt notice of any claim or liability hereby indemnified against and the Lessee shall be entitled to control, and shall assume full responsibility for, the defense of any such matters indemnified against pursuant to Section 6.1 hereof. The Lessor further agrees to cooperate with the Lessee in any such defense.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply in all material respects with all applicable governmental laws, regulations, requirements and rules (including the rules of the United States Department of Transportation) with respect to the use, maintenance and operation of each

Item of Equipment subject to this Lease, In case of any equipment or appliance on any such Item of Equipment, shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements, at its own cost.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

8.1. Rights and Obligations of Use. The Lessee shall use or cause the use of the Equipment only in the United States, except that the Lessee may from time to time use or cause to be used Items of Equipment in Canada, provided that during any calendar year the total use of the Equipment in Canada shall not exceed, on an aggregate basis, more than 2% of the total aggregate use of the Equipment in the United States and Canada and upon the request of the Lessor, the Lessee shall, for any calendar year specified in such request, furnish to the Lessor, within 60 days after such request, a certificate setting forth the aggregate use of the Equipment in Canada compared with the total aggregate use of the Equipment in the United States and Canada. The Lessee shall use the Equipment only in the manner for which it was designed and intended. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, and in accordance with standards prescribed by the Manufacturer in Schedule D hereto, including making all replacements required to maintain the Equipment in good running order; provided, however, the Lessor shall be responsible for, and bear the expense of, all major rebuilds for each Item of Equipment. Any parts installed or replacements made by the Lessee upon any Item of Equipment (except radio equipment or devices having a similar use which have been added to any such Item of Equipment by the Lessee, the cost of which is not included in the Acquisition Cost of such Item) shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor, provided that the Lessee shall be entitled to remove any such accession so long as such removal is not inconsistent with the Lessee's obligations set forth in the preceding sentence or under Section 7 hereto. If the Lessee should fail to maintain the Equipment in accordance with this Section, Lessor reserves the right to maintain the Equipment and to charge the cost to the Lessee as additional rent under this Lease.

8.2. Reports and Inspection. The Lessor shall have the right, at its sole cost and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor the existence and proper maintenance thereof during the continuance of this Lease. The foregoing right of inspection shall be subject, however, to such terms and conditions of access as may be reasonably imposed by any railroad,

terminal company or other entity upon the property on which the Equipment is situate at the time of any such inspection. Lessor agrees to indemnify and hold harmless the Lessee, its affiliates, directors, officers, agents, employees, servants and contractors from and against any claim, cause of action, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner (whether arising from personal injury, property damage or otherwise) which is in any way, directly or indirectly, attributable to the exercise of such right of inspection.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims (other than any interest of the Manufacturer which is to be and has not been satisfied by the Lessor or its successors or assigns and the lien of the Administrator securing his guarantee of the financial obligations issued to finance the acquisition of the equipment, evidence of which is attached hereto as Schedule E, hereinafter referred to as Administrator's lien) which, if unpaid, might constitute or become a lien, security interest or a charge upon the Equipment or any Item thereof, and any liens, security interests or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate administrative or legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of this Lease only with respect to liens, charges, or security interests which were imposed or arose during the term of this Lease. This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due or delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case not delinquent.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease to be duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act and duly deposited in the Office of the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada with notice of such deposit being given in the Canada Gazette in accordance with said Section 86 (or appropriate provision made therefor), and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register, or re-record whenever required) any and all further instruments reasonably requested by the Lessor, for the purpose

of protecting the Lessor's title to, or the security interest granted to the Administrator or to any assignee under Section 19 hereof in the Equipment, to the reasonable satisfaction of the Lessor's or such assignee's counsel or for the purpose of carrying out the intention of this Lease. The Lessee will promptly furnish to the Lessor and any assignee thereof hereunder evidence of all such filings, registering, recording, depositing, refiling, re-registering, re-recording and/or redepositing and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor and any assignee thereof hereunder. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, registering, re-registering, recording and re-recording of any such instruments or incidents to the taking of such action.

10.2. Payment of Taxes. The Lessee agrees to pay and discharge (and does hereby agree to indemnify and hold the Lessor harmless from and against) all sales, use, personal property, excise, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature (together with any penalties, fines or interest thereon, unless resulting from the Lessor's action or failure to act) imposed against the Lessor, the Lessee or the Equipment by any foreign, Federal, state or local governmental taxing authority upon or with respect to the Equipment or upon the purchase, ownership, delivery, lease, possession, rental, use, operation, return, transfer of title or sale to the Lessee hereunder or in connection therewith or upon the rentals or receipts arising therefrom, or upon or with respect to this Lease, the Assignment and the Purchase Order, and any document contemplated thereby (excluding, however, foreign, Federal, state and local taxes on, or measured by, the net income of the Lessor); provided, however, that the Lessee shall not be required to pay or discharge any such tax, levy, impost, duty, charge or withholding so long as it shall in good faith and by appropriate administrative or legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment, and the Lessee shall reimburse the Lessor for any damages or expenses resulting from such failure to pay or discharge. The Lessee agrees to assist the Lessor in the preparation, and where possible to file, on behalf of the Lessor, all required tax returns and reports relating to taxes for which the Lessee is responsible under this Section 10.2. The Lessor shall keep the Lessee informed of any claim made against the Lessor for the payment of any such tax, levy, impost, duty charge or withholding. The obligations of the Lessee contained in this Section 10.2 shall survive the termination of this Lease so long as such obligations arose, whether or not assessed or otherwise finalized, during the lease term.

Section 11. PAYMENT FOR CASUALTY OCCURENCE.

11.1 Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged or permanently rendered unfit for normal use, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease (any such occurrence, except for any requisition which does not exceed the remaining term of this Lease in respect of such Item, being hereinafter called a Casualty Occurrence), the Lessee shall within 30 days after it has knowledge of such Casualty Occurrence notify the Lessor in writing in regard thereto.

11.2 Sum Payable for Casualty Loss. The Lessee, on the rent payment date next succeeding the notification provided in Section 11.1 shall pay to the Lessor a sum equal to the Casualty Value (as defined in Section 11.5 hereof) of such Item or Items of Equipment as to which notification is given as of the date of such payment together with the rental with respect to such Item or Items of Equipment otherwise due on such date.

11.3 Rent Termination. Upon (but not until) payment of that Casualty Value in respect of any Item or Items of Equipment, on the date provided in Section 11.2 hereof, together with the rental with respect to such Item or Items of Equipment otherwise due on such date, the obligation to pay rent for such Item or Items of Equipment shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.4 Disposition of Equipment. After notifying the Lessor in accordance with Section 11.1 hereof, the Lessee shall (unless it shall exercise the option provided in this Section 11.4), as agent for the Lessor, dispose of such Item or Items of Equipment which have suffered a Casualty Occurrence as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of, the Lessor shall receive all amounts of cash price and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto as of the quarter in which each Item is sold, and the excess, if any may be retained by the Lessee. The Lessee may, at its option, retain any such Item of Equipment upon payment to the Lessor of the Casualty Value attributable thereto. If the Lessee shall elect to retain any such Item of Equipment as aforesaid, the Lessor shall deliver to the Lessee a bill of sale therefor assigning the Lessee all right, title, and interest of the Lessor in and to the Equipment and containing Lessor's warranty from the manufacturer, free and clear of any encumbrance of any person claiming by right of, through, or under Lessor but otherwise without recourse, but without any other representation or warranty, express or implied, as to the condition of the Equipment or any other matter.

11.5. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid to the Lessor under Section 11.2 hereof (and not the date of the Casualty Occurrence) as set forth for each item in the Casualty Value Schedule attached hereto as Schedule C.

11.6. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for a period which does not exceed the remaining term of this Lease in respect of such Item, the Lessee's duty to pay rent with respect to such Item shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for such requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any (to the extent such amount constitutes compensation for use of the Equipment, but not otherwise), shall be payable to and retained by the Lessor as its sole property.

SECTION 12. REPORTS

12.1. Reports. The Lessee shall furnish to the Lessor, promptly upon its becoming available, a copy of any reports submitted to its Reorganization Court as may be requested by the Lessor.

12.2. Equipment Report. On or before July 31 of each year, commencing with the year 1975, the Lessee shall furnish to the Lessor an accurate statement, as of the preceeding June 30, showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceeding calendar year (or, in the case of the first such statement, for the portion thereof commencing with the date of this Lease), and such other information regarding the condition or repair of the Equipment, including all accident reports, if any, submitted to the Federal Railroad Administrator concerning the Equipment, and such other reports as the Lessor may reasonably request, describing any modifications to the Equipment made during the preceeding calendar year (or, in the case of the first such statement, for the portion thereof commencing with the date of this Lease), and stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2. hereof shall have been preserved or replace.

Section 13. RETURN OF EQUIPMENT UPON EXPIRATION OF PRIMARY TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, make available such Item of Equipment to the Lessor upon such tracks as the Lessor shall reasonably designate (and as to which the Lessee then has a contractual right of access), and the Lessee will arrange for the storage of such Item of Equipment on such tracks for a period not exceeding 90 days, all as directed by the Lessor upon not less than 30 days' notice to the Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same, but only on the terms and conditions set forth in Section 8.2 hereof, which Section the Lessor shall cause to be applicable to any such prospective purchaser and any such authorized representative. The making available, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so make available, store and transport the Equipment. During the storage period the Lessee shall maintain insurance on such Item of Equipment in accordance with Section 20 hereof.

Section 14. LESSEE'S REPRESENTATIONS AND WARRANTIES.

The Lessee represents and warrants that:

(a) The Lessee is the Trustee of the property of Lehigh Valley Railroad Company, Debtor, a corporation duly organized under the laws of the Commonwealth of Pennsylvania; the Lehigh Valley Railroad Company is in good standing under the laws of the Commonwealth of Pennsylvania and the Lessee believes that the Lehigh Valley Railroad Company is not required to take any further action to qualify to do business as a foreign corporation in any State in which it currently does business.

(b) The Lessee is duly authorized by its Reorganization Court to execute and deliver this Lease, to lease the Equipment hereunder, to execute the Assignment and to perform its obligations hereunder and thereunder.

(c) The execution and delivery of this Lease, and of the Assignment by the Lessee, and the performance by the Lessee of its obligations hereunder and thereunder, do not and will not conflict with any provision of existing law, or of the Articles

of Incorporation or bylaws of the Debtor, any order of its Reorganization Court, or, in any material respect, of any other agreement binding upon the Lessee.

(d) The execution, delivery and performance of this Lease and the Assignment by the Lessee and the consummation by the Lessee of the transactions contemplated hereby and thereby do not require the consent, approval or authorization of, or notice to, any Federal agency or the Commonwealth of Pennsylvania authority, other than the Lessee's Reorganization Court upon notice to all parties customarily notified of hearings in such proceedings or, to the Lessee's belief, any other governmental authority.

(e) This Lease and the Assignment are, and, if applicable, the Certificates of Acceptance will be, when entered into, legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms, subject to the bankruptcy, insolvency, reorganization and similar laws affecting the rights and remedies of lessors, creditors, and secured parties, and this Lease and all payments thereunder shall be an expense of administration in accordance with Section 77 of the Bankruptcy Act.

(f) Each Item of Equipment will qualify for treatment as "new section 36 property" within the meaning of Section 48(b) of the Internal Revenue Code of 1954 as amended (the "Code") at the time of delivery of the Equipment to the Lessor under the Purchase Order, the Equipment will not have been placed in service by the Lessee and no person will have claimed any investment credit or amortization or depreciation deduction with respect thereto; and each Item of Equipment that will be delivered to the Lessee prior to December 31, 1974, will be placed in revenue service on or before December 31, 1974.

(g) Each Item of Equipment on the date of delivery thereof to the Lessee is, in the opinion of the Lessee, estimated to have a useful life of at least 15 years beyond the commencement of the term of the Lease and estimated to have a fair market value at the end of the term of the Lease sufficient to qualify the equipment as "new section 38 property".

Section 15. CONDITIONS TO LESSOR'S OBLIGATIONS.

The Lessor shall not be obligated to purchase any Item of Equipment to be purchased under the Assignment and Purchase Order, and to lease such Item of Equipment hereunder, unless on the date provided for payment by the Lessor: (a) the Lessor shall have been furnished with a certificate signed by a duly authorized representative of the Lessee stating that (i) all of the Lessee's representations and warranties in Section 14 of this Lease are true and correct as though made as of such date and (ii) no Event of Default, has occurred or is continuing; (b) the Lessee shall

have furnished in some form and substance reasonably satisfactory to the Lessor (i) a copy of the order of the Reorganization Court of the Lessee, certified by the Clerk of that Court authorizing the Lease of such Equipment hereunder and the execution, delivery and performance of this Lease, and the Assignment (ii) a favorable opinion of counsel for the Lessee regarding the matters set forth in paragraphs (a) through (e) of Section 14 of this Lease (except that (A) with respect to paragraph (c) of such counsel's opinion may be limited, with respect to the provisions of law, to Federal laws, laws of the Commonwealth of Pennsylvania, and, insofar as it covers "any agreement binding upon the Lessee," may be qualified to relate only to agreements of which such counsel has knowledge, (B) with respect to paragraphs (a) and (d) such counsel's opinion need not extend to matters expressed as the belief of the Lessee, and (C) with respect to paragraph (e) such counsel's opinion insofar as it covers enforceability of any of the instruments referred to therein need relate only to the enforceability thereof under the laws of the Commonwealth of Pennsylvania, and stating that the Lease has been duly filed with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and with any other jurisdiction, if any, that has been requested by the Lessor (iii) such releases, financing statements, waivers and other documents as the Lessor may reasonably request to insure that the Equipment will not be subject to any lien, charge, encumbrance, security interest or other similar interest (other than the Administrator's lien created by this lease), and (iv) an opinion of special Canadian counsel for the Lessee stating that the Lease has been fully deposited in the office of the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada with notice of such deposit being given in the Canada Gazette in accordance with said Section 86 (or appropriate provision made therefor) and no other filing or recordation is necessary for the protection of the rights of the Lessor under such instruments in Canada or in any province or territory thereof except to the extent that Section 77 of the Bankruptcy Act does not apply under Canadian Law.

Section 16. EVENTS OF DEFAULT.

(a) The following shall be events of default hereunder:

(i) Failure to pay when due any rent or other amount due hereunder and continuance thereof for 15 days;

(ii) Failure or refusal by the Lessee for more than 30 days after written demand by the Lessor to comply with the covenants, agreements, terms or provisions of this Lease or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept or performed or to make provision satisfactory to the Lessor for such compliance,

(iii) Any representation or warranty made by the Lessee in this Lease is untrue in any material respect, or any statement, report, schedule, notice, or other writing furnished by the Lessee to the Lessor in connection herewith is untrue in any material respect, on the date as of which the facts set forth are represented, warranted, stated or certified; and

(iv) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or any interest herein or any unauthorized transfer of the right to possession of any Item of the Equipment.

When used herein, unless the context otherwise requires, the term "event of default" shall mean any event described in the foregoing clauses (i) through (iv) and the term "which might mature into an event of default" shall mean any event with which the lapse of time, would constitute an event of default. To the extent of its knowledge thereof, the Lessee shall give the Lessor prompt notice of any event of default.

(b) Upon the happening of an event of default, the Lessor shall (except to the extent otherwise required by law) be entitled to:

(1) proceed by appropriate court action or actions to enforce performance by the Lessee of the applicable covenants and terms of this Lease or to recover damages for the breach thereof;

(2) repossess any or all Items of Equipment without prejudice to any remedy or claim hereinafter referred to;

(3) elect to sell any or all Items of Equipment, after giving 30 days notice to the Lessee, at one or more public or private sales and recover from the Lessee as liquidated damages for the Lessee's default hereunder an amount equal to the amount, if any, by which (A) the sum of (i) the aggregate Casualty Value of such Items of Equipment on the date such notice is given, (ii) all rent owing or accrued hereunder to and including the date such notice is given, (iii) all costs and expenses (including sales tax) reasonably incurred in searching for, taking, removing, keeping, storing, repairing, restoring and selling such Items of Equipment, (iv) all other amounts owing by the Lessee hereunder, whether as additional rent, indemnification or otherwise, and (v) all reasonable costs and expenses, including (without limitation) legal fees and expenses, incurred by the Lessor as a result of the Lessee's default hereunder, exceeds (B) the amount received by the Lessor upon such public or private sales of such Items of Equipment;

(4) upon notice to the Lessee receive prompt payment from Lessee of an amount equal to the aggregate Casualty Value on the rental payment date next succeeding the date such notice is given of all Items of Equipment which have not been sold by the Lessor pursuant to clause (3) above plus, to the extent not otherwise recovered from the Lessee pursuant to said clause (3) above, (i) any rent owing or accrued hereunder to and including the date such notice is given, (ii) all costs and expenses reasonably incurred in searching for, taking, removing, keeping, storing, repairing and restoring such Items of Equipment, (iii) all other amounts owing by the Lessee hereunder, whether as additional rent, indemnification or otherwise and (iv) all reasonable costs and expenses, including (without limitation) legal fees and expenses, incurred by the Lessor as a result of legal fees and expenses, incurred by the Lessor as a result of the Lessee's default hereunder; provided that upon receipt of payment in full of such amount, the Lessor shall deliver to the Lessee a bill of sale for the Items of Equipment then subject to this Lease assigning to the Lessee all of the Lessor's right, title, and interest in and to such Equipment and containing Lessor's warranty from the Manufacturer free and clear of any liens or encumbrances of any person claiming by right of, through, or under the Lessor, but without any other representation or warranty, express or implied, as to the condition of the Equipment or any other matter;

(5) by notice to the Lessee declare this Lease terminated without prejudice to the Lessor's rights in respect of obligations then accrued and remaining unsatisfied; or

(6) avail itself of any other remedy or remedies provided for by any statute or otherwise available at law, in equity or in bankruptcy or insolvency proceedings. The remedies herein set forth or referred to shall be cumulative. The references to additional rent in clauses (3) and (4) of this paragraph (b) shall each include, without limitation, interest at the applicable annual rate in Schedule B on the Casualty Value of the Equipment, to the date of receipt by the Lessor of the amount payable under said clause, on installments of rent owing hereunder to and including the rent payment date immediately preceeding the date on which notice is given under said clause, from the respective due dates of such installments, and interest at said rate on all other reasonable costs, expenses and losses for which the Lessor is entitled to payment under said clause from the respective date incurred by the Lessor.

Section 17. RETURN OF EQUIPMENT UPON DEFAULT.

17.1 Lessee's Duty to Return. If the Lessor shall terminate this Lease pursuant to Section 16 hereof, the Lessee shall forthwith

make the Equipment available to the Lessor and store and transport the Equipment as provided in Section 13 hereof.

17.2 Specific Performance. The making available, storage and transporting of the Equipment as provided in this Section 17 are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so make available, store and transport the Equipment.

17.3 Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 17, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to make available any Items of Equipment to the Lessor pursuant to Section 17.1 hereof, to demand and take possession of such item in the name and on behalf of the Lessee from whomsoever shall have possession at the time of the default.

Section 18. ASSIGNMENTS BY LESSOR.

18. Assignments by Lessor. The benefits of this Lease shall be assignable (but only as an entirety) by the Lessor without the consent of the Lessee to a single institutional corporate agent or trustee acting for institutional corporate lenders, or to a single institutional corporate lender, of recognized standing, or to any agency or instrumentality of the United States Government, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor; provided that any such assignment by the Lessor shall make appropriate provision for the assumption by the assignee of the obligations, if any, of the Lessor. Upon notice to the Lessee of any such assignment the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to the assignee at the place and in the manner set forth in Section 2.2. Without limiting the foregoing, the Lessee further acknowledges and agrees that (1) the rights of any such assignee in and to the sums payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason or defect in the Lessor's title (except for any defect or failure of title resulting from acts or omissions of the Lessor), or any interruption from whatsoever cause (other than from a wrongful act of the Lessor or the assignee) in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever, and whenever arising, of the Lessor to the Lessee or to any other person, firm or

or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except as aforesaid, the Lessee shall be unconditionally and absolutely obligated to pay the assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the assignee shall have the sole right (except as otherwise provided in such assignment) to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor. The term "Lessor" as used in this Lease shall mean the original Lessor and any permitted assignee.

Section 19. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

19.1 Lessee's Rights to the Equipment. So long as the Lessee shall not be in default of this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, subject to Section 19.2 hereof, without the prior written consent of the Lessor, which shall not be unreasonably withheld, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any item of the Equipment. The Lessee, shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any item of the Equipment except to the extent permitted by the provisions of Section 19.2 hereof.

19.2 Use and Possession by Lessee. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and/or use of the Equipment (by itself or by others in its behalf) in accordance with the terms hereof upon the rail lines over which the Lessee conducts, or has conducted for it, rail freight service.

19.3 Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 19 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation, governmental agency or other entity, which shall have become merged or consolidated or which shall have acquired, by purchase or otherwise, the property of the Debtor from the Trustee, as an entirety or substantially as an entirety.

Section 20. INSURANCE

20. The Lessee will provide at closing satisfactory evidence of, and shall thereafter maintain, insurance to protect the Lessor's interest in an amount equal to the Casualty Value for each Item of Equipment contained in Schedule C, subject to a deduction of \$25,000.00 for one item of Equipment but not to exceed \$50,000.00 for all Items of Equipment. In the event of a Casualty Occurrence under Section 11 of this Lease, if the proceeds of any salvage obtained from the disposition of any Item of Equipment pursuant

to Section 11.4., are less (for purposes of this Section collectively referred to as "proceeds") than the Casualty Value contained in Schedule C, the Lessee shall treat the deficiency between that Casualty Value and proceeds under this Section 20 and Section 11 of this Lease as an expense of administration and shall make payment hereunder no later than sixty (60) days subsequent to a demand for payment by the Lessor for any deficiency calculated under this Section 20. If Lessee is unable to obtain insurance satisfactory to the Lessor, the Lessor may acquire insurance conforming to the requirements of this section and bill the Lessee as additional rent under this Lease.

SECTION 21. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR

Anything to the contrary herein notwithstanding, any nonpayment of rentals due hereunder, or amounts reasonably expended by the Lessor on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also, as additional rent hereunder, an amount equal to the applicable annual interest as stated in Schedule B, and such other amounts as may have been expended for the period of time during which they are overdue or expended and not repaid.

SECTION 22. OPTION TO RENEW

The Lessee shall have, upon expiration of the primary term, pursuant to Section 3 (a), the option to renew and extend this Lease as to such Items of Equipment as the Lessee may elect for four additional renewal terms of one year each upon and subject to the terms and conditions stated herein for the original term of this Lease with the exception that the rent to be paid shall be modified to reflect the cost of financing that may then be obtained by the Lessor as of the date of the renewal. Each such renewal term shall commence immediately upon the expiration of the preceeding term. Not less than 90 days prior to the end of the original term or of the then current renewal term, each party shall give the other its desire to exercise any renewal option provided for by this Section 22. Notwithstanding the giving of any notice by the Lessee, the Lessor shall not be obligated to renew and extend this Lease for the renewal term covered by such notice if the Lessor shall advise the Lessee within 45 days after the determination of the rental for such renewal term under this Section 22 that the Lessor has decided not to lease the Equipment to the Lessee for such renewal term.

SECTION 23. MISCELLANEOUS.

23.1. Lessor is Owner. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to the Lessee any right, title or interest in any Item of Equipment except as a lessee only. The Lessor and the Lessee agree that for purposes of all Federal, state and local income tax the Lessor, will be the owner and lessor of the Equipment and that the Lessee will be the lessee. In addition, nothing contained herein shall be construed as an election by the Lessor to treat the Lessee as having acquired any Item of Equipment for purposes of the investment credit allowed by Section 38 of the Code, and the Lessor and the Lessee agree that they will not make such an election. Except as otherwise specifically provided herein, any provision in this Lease that the Lessee is required to perform, the Lessee shall do so at its sole cost and expense,

23.2. Lessor's Right to Perform. If the Lessee fails to make any payments required by this Lease, or to perform any of its other obligations contained herein, the Lessor may itself, but shall not be required to, make any such payments or perform any such obligations. The amount of any such payment and the Lessor's reasonable costs and expenses, including (without limitation) legal fees and expenses in connection therewith and with such performance, shall thereupon be and become payable by the Lessee to the Lessor upon demand.

23.3. Notices. Any notice or other communication hereunder shall be in writing and, if mailed, shall be deemed to be given on the second day after it is sent by registered or certified mail, postage prepaid, and addressed: (i) if to the Lessee, Robert C. Haldeman, Trustee, Lehigh Valley Railroad Company, 415 Brighton Street, Bethlehem, Pennsylvania, 18015. (ii) if to Lessor, Consolidated Rail Corporation, 2100 Second Street, S.W., Washington, DC 20595. (iii) to either party at such other address as it may, by written notice received by the other designate as its address for purposes of notice hereunder.

23.4. Law Governing, etc. If this Lease or any provision hereof shall be deemed invalid, illegal or unenforceable in any respect or in any jurisdiction, the validity, legality and enforceability of this Lease in other respects and other jurisdictions shall not be in any way impaired or affected thereby. Each of the parties hereto acknowledges that the other party shall not by act, delay, omission or otherwise be deemed to have waived any of its rights or remedies under this Lease unless such waiver is in writing, and such writing shall be binding only to the extent therein provided and only upon the party signing it. A waiver on any one occasion shall not be construed as a waiver on any future occasion. Without limiting the foregoing, the Lessor's rights and the Lessee's duties shall in no way be affected by the Lessor's inspection of, or failure to inspect,

the Equipment or any Item thereof. The Lessee hereby waives any right to assert that the Lessor cannot enforce this Lease (or that this Lease is invalid) because of any failure of the Lessor to qualify to do business in any jurisdiction. This Lease shall be governed by the laws of the State of Delaware and shall be binding upon and inure to the benefit of the Lessor and the Lessee and their respective successors and assigns.

23.5. Section Headings. The Table of Contents and Section headings in this Lease are for convenience of reference only and shall not be considered to be a part of this Lease.

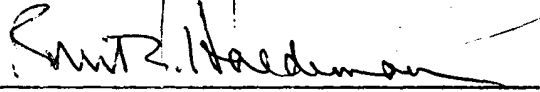
23.6. Lessor's Authorization. The Lessor represents and agrees to submit to the Lessee at closing hereunder a favorable opinion of its counsel that the execution, delivery and performance of this Lease are within the corporate power of the Lessor, have been duly authorized by all necessary corporate and other actions and are, and at all times will be, authorized under the Act, and does not and will not conflict with its articles of incorporation, its bylaws, any agreement binding on the Lessor, or the General Corporate Code of the State of Delaware.

23.7. Modification of Lease. No variation or modification of this Lease shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

23.8. Approvals of the Administrator. The parties agree that before any amendment or renewal or modification (other than to the Specifications) of this Lease or any assignment or transfer of the interest of the Lessor hereunder or of the interest of the Lessee hereunder, becomes effective, the Federal Railroad Administrator must approve the same in writing. In consideration of his guarantee of the financial obligations of the United States Railway Association which will be assumed by the Lessor, under an Exchange of Correspondence dated November 30, 1974, between the Administrator and the Lessor's agent, the United States Railway Association, the Federal Railroad Administrator shall have the right to enforce this provision irrespective of any other provision of this Lease.

23.9. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument. Although this Lease is dated as of the date first set forth above, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties have duly caused this Lease to be executed as of this date.



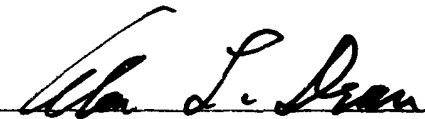
Lessee
Robert C. Haldeman
Trustee of the Property of the
Lehigh Valley Railroad Company,
Debtor

Witness

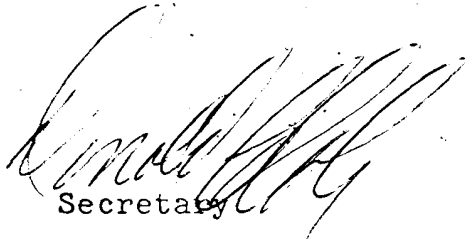

Authorized Officer

CONSOLIDATED RAIL CORPORATION
Lessor

(Corporate Seal)


By 
Vice President

Attest


Secretary

DISTRICT OF COLUMBIA,)
)
CITY OF WASHINGTON, D.C.)
) ss.:

On this 11th day of December 1974, before me personally appeared ALAN L. DEAN, to me personally known, who, being by me duly sworn, says that he is a Vice President of the CONSOLIDATED RAIL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



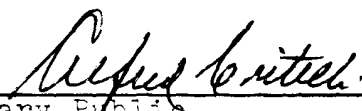
Notary Public

[Seal]

My Commission expires: 07-01-78

STATE OF PENNSYLVANIA)
)
COUNTY OF NORTHAMPTON) ss.:

On this 11TH day of DECEMBER, 1974, before
me personally appeared ROBERT C. HALDEMAN, to me known to
be the person described in and who executed the foregoing
instrument, severally acknowledged that he executed the same
as his free act and deed.



Notary Public
ALFRED CRITELLI, Notary Public
Palmer Twp., Northampton Co., Pa.
My Commission Expires January 22, 1977

[SEAL]

My Commission expires:

ATTACHMENT A

SCHEDULE OF LOCOMOTIVE UNIT NUMBERS

<u>del</u>	<u>Description</u>	<u>Specification Number</u>	<u>Units</u>	<u>Manufacturer's Serial Number</u>	<u>Railroad's Road No.</u>
238	Diesel Electric Road Switcher	Spec 3530B	12	40098 to 40109	501 to 512
	2250 HP				

SCHEDULE B

CALCULATION OF RENT TO BE PAID BY LESSEE TO LESSOR

PURSUANT TO SECTION 2 OF THIS LEASE BASED ON COST OF MONEY 1.

Rent for 12 Locomotives

	(1)	(2)
A. Rent Due	3/31/75	\$ 185,953.50
	6/30/75	183,694.34
	9/30/75	181,435.18
	12/31/75	179,176.02
	3/31/76	176,916.86
	•	
	6/30/76	174,657.70
	9/30/76	172,398.54
	12/31/76	170,139.38
	3/31/77	167,880.22
	6/30/77	165,621.06
	9/30/77	163,361.90
	12/31/77	161,102.74

Rent for One Locomotive

	3/31/75	15,496.25
	6/30/75	15,307.98
	9/30/75	15,119.71
	12/31/75	14,931.44
	3/31/76	14,743.17
	6/30/76	14,554.90
	9/30/76	14,366.63
	12/31/76	14,178.36
	3/31/77	13,990.09
	6/30/77	13,801.82
	9/30/77	13,613.55
	12/31/77	13,425.28

B. Rent per diem
per locomotive for
rent due from date
of acceptance to and
including 12/31/74 (19 days) \$169.81

Due December 31, 1974
\$ 38,716.68

1. Schedule B calculated for a cost of \$3,435,096 for 12 locomotives and \$286,258 cost per locomotive
2. Column 2 is based in part on 8% cost of money to the Lessor from Federal Financing Bank. The Lessee acknowledges and agrees to this rate.

Acknowledged and approved by

For Lehigh Valley Railroad Company

Samuel H. Henderson, Justice
12/12/74

SCHEDULE C

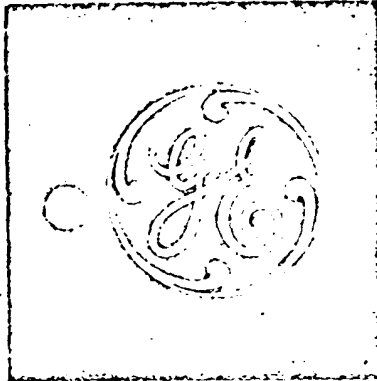
Casualty Value Per Locomotive

Date of Purchase 3/30/75	286,258
3/31/75 - 6/29/75	276,845
6/30/75 - 9/29/75	267,432
9/30/75 - 12/30/75	258,019
12/31/75 - 3/30/76	248,606
3/31/76 - 6/29/76	239,193
6/30/76 - 9/29/76	229,780
9/30/76 - 12/30/76	220,367
12/31/76 - 3/30/77	210,954
3/31/77 - 6/29/77	201,541
6/29/77 - 9/29/77	192,128
9/30/77 - 12/30/77	182,715

SCHEDULE D

GENERAL ELECTRIC COMPANY
TRANSPORTATION SYSTEMS BUSINESS DIVISION
ERIE, PA. 16501

GENERAL  ELECTRIC



INSTRUCTIONS

GEK-35801

INSPECTION AND LUBRICATION SCHEDULE

GENERAL INFORMATION

The intervals suggested in this schedule are for the use of the Railroad Mechanical Departments in preparing their Locomotive Work Sheets.

Since conditions vary from one locomotive service assignment to another, these intervals are recommended only as a guide, with actual needs to be determined through experience.

For successful locomotive operation, the railroad must provide:

1. Competent workmen and supervision.
2. Adequate maintenance facilities, tools, shop supplies, and renewal parts.
3. Fuel, lubricating oil, and water treatment equal to or better than that specified.
4. Perform Inspection and Maintenance according to planned schedule, and keep adequate records.

When Servicing:

1. Never mix lubricants of different brands or grades with the exception of engine lubricating oils in the same class.

2. Too much lubrication can be as harmful as too little.

NEVER OVERFILL.

3. Always clean the grease fittings before adding grease, and clean the equipment covers if they are removed during service.

4. Use only clean containers when handling lubricants.

The following equipments have sealed bearings and require no periodic lubrication until the device is overhauled:

Armature Bearings:

Traction Motor

Fuel Booster Pump Motor

Exciter

Auxiliary Generator

These instructions do not purport to cover all details or variations in equipment nor to provide for every possible contingency to be met in connection with maintenance, operation or repair. Special factors in operation or maintenance or should particular problems arise which are not covered sufficiently for the purchaser's purposes, the matter should be referred to the General Electric Company.

Verify numbers for parts, tools, or material by using the Renewal Parts or Tool Catalogs, or contact your General Electric representative for assistance. Do not order from this publication.

MONTHLY

ITEM	*TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
ENGINE				
Crankcase	DE-2	Remove inspection covers. Check interior for damage or irregularities. Check oil level.	Make complete laboratory analysis of a lube oil sample, to determine if oil is suitable for continued use. If acceptable, fill to "full" mark, with engine idling. If not acceptable, drain, remove, clean, and replace lube oil and oil strainer. Re-fill with approved oil. See Note 1, Page 13.	See GEI-82009, TAB RM-4, for approved lubricants.
Lube oil filter	DE-13	Remove old elements. Clean housing. Install new elements.	If necessary, fill crankcase after starting.	Engine lube oil
Lube oil strainer in free-end cover (if so equipped)	DE-3	Remove, clean and re-install.		Engine lube oil
Overspeed butterfly valve linkage (if so equipped)			Add a few drops at linkage joints.	Engine lube oil
Cooling water	DE-12	Check water treatment concentration.	If necessary, add compatible water treatment compound.	
MECHANICAL				
Air compressor inlet filters (Farr Pamic or Air Maze)	AE-1	Remove element. Wash, dry, dip in oil, and reassemble.		Engine lube oil
Air compressor	AE-2	Check oil level.	Add oil if low.	GE Spec. D50E13
Fan and blower unit (U25-U28 only)	ME-1	Check breather. If necessary, clean. Check oil level while shut down.	Fill to level of pipe plug, when the level is too low to last until next inspection.	Engine lube oil
Radiator fan-gear unit	ME-1	Check oil level while shut down.	Fill to overflow of fill pipe, when the level is too low to last until next inspection.	Engine lube oil
Speed recorder instrument	ME-3	Check instrument oil level.	If necessary, add oil.	See ME Section for proper lubricant.
Air system: Panel/air filters	ME-6	Check oil level, ten minutes after engine is shut down.	If level is below "add" mark, remove, clean, and re-install. For FARR filters, see Note 3, Page 13.	Engine lube oil

*Tab reference - Refers to appropriate section of Maintenance Manual for more detailed information.

MONTHLY (Cont'd)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
<u>MECHANICAL (Cont'd)</u>				
AP 59 Item (Cont'd) Paper filters	ME-6	Check filter service indicator for proper operation. Replace filters if "red band" shows.		
Center bearings (with oil cup)	ME-7	Check seal for damage or leaks.	First month - add one quart through oil cup. Following months - add one pint.	AAR Spec. M-906
Center bearings (without oil cups)	ME-7	See Yearly Inspection.		
Traction generator gear case	RE-1	Check oil level on dipstick.	If below "add" mark, add oil to proper level.	Engine lube oil
Traction motor sus- pension bearings	RE-4	Check oil level.	Fill to bottom of filler cup.	GE Spec D50E14
Traction motor gear case	T-4	Check for heavy film of lubricant on gear teeth. Check gear case bolts for proper torque; case-to-motor 1000 lb-ft, case-half bolts 700 lb-ft.	If low, fill to bottom of lower inspection opening.	GE Spec D50E8C (capacity 12 lbs)
<u>ELECTRICAL</u>				
Traction motor com- mutator, brushes, brush rigging and leads		Check commutator for damage and for discoloration. Check for chipped, broken or damaged brushes. Replace any too short to last until next inspection.		
Axle alternator	CE-7	Check for damaged conduit and leads. Re- pair or replace as necessary.		
Control compart- ments		Check for loose or broken wires, and/or evidence of hot or burned terminals or contacts.		
Battery		Wash down trays. Check electrolyte level and specific gravity.	Add battery water as necessary.	

THREE MONTHS
(THESE ITEMS IN ADDITION TO PRECEDING SCHEDULES)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
ENGINE				
Governor linkage	DE-8	Check pins from power piston to fuel racks, for free operation.	Add a few drops of oil to each oiler button, or grease to each grease fitting, with engine idling.	Engine lube oil or GE Spec. D6A2C9 grease
Low oil pressure and low water pressure shutdown buttons	DE-8	Check operation.		
Excess high-temperature switch	DE-12	Check operation.		
Engine governor	DE-8	Check engine speeds at "Idle" and at "8th Notch," no load.		
Overspeed governor and overspeed link or butterfly valves (if so equipped)	DE-9	Check speed setting of governor and operation of overspeed link or butterfly valves.		
Crankcase pressure switch	DE-9	Check operation.		
Crankcase breather pipe		Remove carbon build-up from outlet of pipe in exhaust stack.		
Air filter pressure switch (if so equipped)	DE-11	Check switch operation, with engine shut down.		
MECHANICAL				
Air compressor	AE-2	Orifice test per FRA requirements.	Add grease at fittings.	GE Spec. D6A2C9
Blower coupling	ME-1	Check bolts for proper torque and for visible damage.		
Compressor coupling	ME-1	Check bolts for proper torque and for visible damage.		
Blower failure pressure switch (if so equipped)	ME-6	Check switch operation, with engine shut down.	Remove pipe plugs, insert grease fitting, and grease. Re-install pipe plugs after greasing.	Klingfast 370 (capacity 9 ounces per end)
Fuel strainer and all fuel filters	ME-7	Clean strainer and housing. Renew filter elements. See Note 2, Page 13.		

THREE MONTHS (Cont'd)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
MECHANICAL (Cont'd)				
Wiper plunger and shaft Track buffer Joint of box and potential guides	T-6 T-7 T-8	Check for presence of plate, cracked welds and plates, and for excessive wear. Replace as necessary.		
Track loading pads (3 cable-tri-mount track)	T-7	Check for excessive wear. Check oil level.	Fill, to fill-plug level, if low.	One gallon AAR Spec. M-908 and 1/2 pint AAR Spec. M-913 mixed
Window wipers		Replace wiper blades as necessary. Tighten wiper arm on shaft.	Add sufficient oil through pipe plug to moisten leathers in air motors.	GE Spec. D50E5B
Fuel-tank sump		Drain any trapped water.		
ELECTRICAL				
Ground relay and generator overload relay	ET-1	Check operation.		
Brake warning relay and braking over- load relay	CE-2	Check operation.		
Commutators or slip rings and brushes on Main generator or alternator Exciter and auxiliary gen- erator	RE-1 RE-3	Inspect surface conditions. Dress as necessary. Replace chipped, cracked or damaged brushes and those too short to last until next inspection.	Apply "Driglide" or equivalent.	
Fuel booster pump Edy-current circuit (if so equipped)	RE-5 RE-5			
Leece-Newton start- ing motor (if so equipped)	RE-5	Inspect. Clean dirt, oil and grease from pinion shaft of Bendix drive with diesel fuel, and wipe dry.	Apply dry graphite to pinion shaft of Bendix drive.	Dry graphite
		CAUTION: KEEP CLEANING AGENT OFF CLUTCH.	Add oil through the two filler plugs on each motor. Replace plugs quickly.	GE Spec. D50E13B
			Add grease to fitting on Bendix drive housing (under protective cap).	GE Spec. D5A2C4

SIX MONTHS

(THESE ITEMS IN ADDITION TO PRECEDING SCHEDULES)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
<u>ENGINE</u>				
Cylinder valves	DE-7	Check tappet clearance and adjust as necessary.		
Lube-oil system relief valve	DE-13	Clean internally, inspect seat, and re-calibrate.		
<u>MECHANICAL</u>				
Stick adjusters	T-2	Clean and adjust.		
Journal bearings (Timken SC)	T-9		See referenced Tab for schedule based on average monthly mileage.	AAR Spec. M-917 Grade "D"
Air compressor	AE-2		Drain and refill with new oil.	GE Spec. D50E13
<u>ELECTRICAL</u>				
Rectifier panels (if so equipped)	CE-8	Electrically check diodes and replace as necessary. Check torque on diodes.		

ONE YEAR

(THESE ITEMS IN ADDITION TO PRECEDING SCHEDULES)

<u>ENGINE</u>				
Crankshaft	DE-3	Check that thrust clearance is within limits.		
Free-end gear train	DE-5	Visually inspect for bad tooth-wear pattern, broken teeth or overheating (discoloration).		
Governor	DE-8	Drain, clean front-mounted external strainer, if so equipped.	Refill with clean oil. Operate engine for five minutes to circulate oil, then add oil to proper level.	SAE 10W-30, Grade MS, or better
Overspeed link	DE-9	Change-out or rebuild.		
Overspeed governor	DE-9			
Crankcase pressure switch	DE-9			
Pan-bath air filters	DE-11	Drain and clean elements.	Refill to "full" mark.	Air Maze - engine lube oil (capacity 8 qts per filter) Air Maze - See Note 3, Page 13.

ONE YEAR (Cont'd)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
ENGINE (Cont'd)				
Intercoolers	DE-11	Retorque top and bottom header bolts to 35-40 lb-ft.		
Fuel-oil system: High-pressure pump	DE-14	Retorque pump mounting bolts. Check and adjust pump timing and racks.		
Injection nozzles	DE-14	Change-out or rebuild. Torque high-pressure line nuts to specifications.		
MECHANICAL				
Radiator fan-blower unit or fan gear unit	ME-1 or RE-5	Check for noisy bearings.		
Free vertical shaft upper bearings			Replace pipe plug temporarily with grease fitting. Add grease, then replace pipe plug. (Does not apply to GDY40.)	GE Spec. D6A2C4 (capacity 3 ounces)
Equipment blower bearings	ME-1		Change grease by pumping grease into fitting on pillow blocks.	GE Spec. D6A2C5
Air compressor: Vortex filter	AE-2	Remove, drain and clean element with a non-caustic oil and grease solvent, and re-assemble.	Refill to mark on the bottom cup.	GE Spec. D50E13B
Intake and exhaust valves	AE-2	Check for wear. Reseat or replace as necessary.		
Traction motor suspension bearings	RE-4	Drain oil. Remove wick assembly. Visually check for bearing defects and condition of wicks. Check wick spring pressure. Replace defective parts as necessary. Re-assemble.	Fill with new oil.	Engine lube oil (capacity one gallon per bearing)
Traction generator gear case	RE-2		Drain and refill with new oil.	Engine lube oil (capacity 5 pints)
Center bearing (without oil cup)	T-7		Raise locomotive off truck high enough to add lubricant to bearing.	Mixture of one gallon AAR Spec. M-906 and 1/2 pint AAR Spec. M-913
Air cleaners (in platform)	ME-6	Check and clean of debris as necessary.		
ELECTRICAL				
Control equipment and compartments	CE-1 Thru CE-8	Clean, using low-velocity dry air or vacuum cleaner with soft brush.	Apply grease to star wheel, rollers and pawls on controller, reverser and braking switch.	GE Spec. D50E6B

ONE YEAR (Cont'd)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
ELECTRICAL (Cont'd)				
All alarm and protective devices, transmission and wheel-stop systems		Check for proper operation and calibration.		
Low-voltage system		Check for damaged insulation, short circuits and grounds.		
Voltage regulator	GE-8	Check for proper operation and calibration.		

TWO YEARS

(THESE ITEMS IN ADDITION TO PRECEDING SCHEDULES)

ENGINE				
Connecting rods and red bearings	DE-6	Visually inspect rods. Replace bearings.		
Turbocharger	DE-10	Install reconditioned turbocharger. Clean crankcase breather screen and piping.		
Intercoolers	DE-11	Remove and clean. Re-install.		
Exhaust manifolds	DE-11	Check for leaks, cracks and broken welds. Retorque all bolts.		
Lube oil pump and water pump drive couplings	DE-13	Replace rubber dowels or bonded rubber hub in coupling. Visually inspect gears for damage.		
Fuel injector pumps	DE-14	Change-out or rebuild.		
MECHANICAL				
Cooling water: Flow control valve system	DE-12	Check flow control valve screen. Test thermostats for proper operation. Replace inoperative thermostats. Remove any foreign matter from housing and check valve pistons for unrestricted travel.		
Field amplifier system	DE-12	Test fluid amplifier thermostatic valve for operation at proper temperature. Replace thermostat power pill, if inoperative. Check and clean out ports under the two pipe plugs if necessary.		

TWO YEARS (Cont'd)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
MECHANICAL (Cont'd)				
Cooling water: (Cont'd)		NOTE: When checking either system, clean "Y" (see 350) screen and/or "top h" screen in water tank. Replace any damaged screens.		
Lube oil cooler	DE-13	Remove, clean and test, and re-install.		
Compressor-to-fan gear unit coupling	ME-1	Replace bonded rubber couplings (doughnuts).		
Cab heater supply line	DE-12	Replace hose connecting engine water discharge header to piping.		
Engine water connection to storage tank	DE-12	Replace 5-inch rubber connection.		

FOUR YEARS

(THESE ITEMS IN ADDITION TO PRECEDING SCHEDULES)

ENGINE				
Cylinder assemblies	DE-7	Remove and replace with reconditioned assemblies.		
Pistons	DE-6	Inspect in place. Clean ring grooves and replace rings.		
Governor	DE-8			
Exhaust manifold	DE-11	Change-out or rebuild.		
Water pump	DE-12			
Lube oil pump	DE-13			
Main bearings and thrust collar	DE-4	Replace.		
Vibration damper	DE-3	Replace.		

FOUR YEARS (Cont'd)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
<u>ELECTRICAL</u>				
Exciter and auxiliary generator	RE-3	Change-out or rebuild.		
Traction motor	RE-4			
Dynamic braking blower motor (if so equipped)	RE-5			
Fuel booster pump and motor	RE-5			
Starting motors (if so equipped)	RE-5			
<u>MECHANICAL</u>				
Air compressor	AE-2	Change-out or rebuild.		

EIGHT YEARS

(THESE ITEMS IN ADDITION TO PRECEDING SCHEDULES)

<u>MECHANICAL</u>				
Fan and blower unit or fan gear unit	ME-1	Change-out or rebuild.		
Equipment blower	ME-1	Inspect bearings and renew as necessary.		
<u>ELECTRICAL</u>				
Exciter and auxiliary generator	RE-3	Change-out or rebuild.		
Control devices: Connectors, interlocks, relays, reverser, braking switch	CE-2 CE-3 CE-4 CD-6	Check operation and inspect for visible damage.		
Axle alternators	CE-7	Change-out or rebuild.		

TWELVE YEARS

(THESE IN ADDITION TO PRECEDING SCHEDULES)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
<u>MECHANICAL</u>				
Diesel engine	DE-1 Thru DE-15	Remove engine-generator/alternator assembly from unit. Change-out or rebuild engine.		
<u>ELECTRICAL</u>				
Main generator or alternator	RE-1	Change-out or rebuild generator/alternator.		
WHEN TURNING OR RENEWING WHEELS				
<u>MECHANICAL</u>				
Trucks:				
Center bearing (with oil cup)	T-7	Check condition of wear rings (male and female) and wear plates. Renew as required.	Add new oil.	AAR Spec. M-908
Center bearing (without oil cup)		Check condition of wear rings (male and female) and wear plates. Renew as required.	Liberaly coat both sections before re-assembly.	A mixture of one gallon AAR Spec. M-906 and 1/2 pint AAR Spec. M-913
Journal bearings (Timken Type GG)	T-9		Refer to truck section for recommended lubrication, based on average monthly mileage.	AAR Spec. M-917, Grade B
<u>ELECTRICAL</u>				
Traction motors and gears	RE-4	Visually inspect. Run motor, with no load, to check armature bearings for unusual noises and binding. Check for vibration. Check commutator smoothness. Resurface commutator if necessary, using jig grinding device. Check lateral clearance of axle-suspension bearings. Inspect surface of bearings and axle. Check 16-wick lubricators for wear and glaze. Clean and inspect piston and axle gears for wear and damage. Renew gear case seals if necessary.	Fill with new oil. Fill to bottom of lower inspection opening.	GE Spec. D50E14 GE Spec. D50E8C

WHEN TURNING OR RENEWING WHEELS (Cont'd)

ITEM	TAB REF.	INSPECTION AND MAINTENANCE	LUBRICATION AND SERVICING	LUBRICANT
<u>ELECTRICAL (Cont'd)</u>				
Axle alternator	CE-7	Remove and check for binding and for excessive end-play. Remove front cover and check for metal particles or other visible damage.		
Axle alternator drive		Check tightness of spline and/or rubber connector, for any visible damage or deterioration. Renew as necessary.		

LUBRICATING OIL ANALYSIS TESTS

Daily or trip tests of the lube oil viscosity and water content should be made to prevent fuel dilution or water contamination.

The following is a minimum list of lubricating oil properties which should be determined during laboratory analysis of engine oil being tested. The suggested method of each case refers to the American Society for Testing Materials Handbook.

Oil Property	Test Reference Number
Viscosity at 100 and 210 F	ASTM-D445
Sediment	ASTM-D893
Water	ASTM-D95
Base Number	ASTM-D864

CONDEMNING LIMITS
OF LUBRICATING OILS

Because of wide variations in character between lubricating oils of different brands, it is recommended that the oil supplier be contacted to assist in the development of an oil renewal schedule and to set forth the limiting factors peculiar to his oil.

GENERAL CONDEMNING LIMITS

Properties	Limits
1. Viscosity: Decrease (from new) at 100 F (max)	30%
2. Viscosity maximum: Increase (from new) at 210 F (max)	10%
Increase (from new) at 100 F (max)	30%
3. Total base number (min) (Units are mg KOH per gr)	0.5
4. Water contamination (max)	0.2%
5. Insoluble content pentane (max)	3.0%
6. Insoluble content benzene (max)	2.5%

NOTE 1: The frequency with which lubricating oil must be changed will vary from one locomotive service assignment to another. Factors influencing the frequency of change include the kind of service, the nature of the terrain over which the locomotive operates, the kind of fuel oil, and the kind of lube oil.

If viscosity, total base number, water contamination, and insoluble content tests are not all performed at least once a month, then a complete oil change is required every four months.

NOTE 2: The frequency with which fuel oil filters must be changed will also vary, depending upon the kind of service, the kind of fuel oil, its purity at the time it enters the locomotive fuel tank, and ambient temperature conditions, among other things.

Experience is the best guide on which to base filter renewals in accord with time or mileage. The intervals suggested in this schedule are considered to be average.

NOTE 3: If Ferr pancake filter is used, the capacity is 6 quarts, using the following lubricant:

2/3 SAE-10	Below 0 F
1/3 No. 2 Diesel Fuel	Below 0 F
SAE-10-20	0-70 F
SAE-20-30	70-110 F
SAE-30-40	110-140 F
SAE-50	Over 140 F

SCHEDULE E
CONVEYANCE OF LIEN

In consideration of the guarantee by the Federal Railroad Administrator (Administrator) of the obligations to be issued by the United States Railway Association (Association) to finance the acquisition of the locomotives, listed in Schedule A of this Lease, which obligations will be issued to finance the acquisition by the Consolidated Rail Corporation (Corporation) of 12 G.E. "XR" Series U23B locomotives for lease by the Corporation to Trustee of the property of the Lehigh Valley Railroad, Debtor, the Corporation hereby conveys to the Administrator a first lien on the aforesaid locomotives until final payment of USRA Note #1 dated December 12, 1974, in the amount of \$ 3,435,096.00, including such lien for any refinancings or renewals thereof.

CONSOLIDATED RAIL CORPORATION

By: 

ATTEST: 

[SEAL]

NOTICE OF ASSIGNMENT

This is to advise that, effective April 1, 1976, 12:01 a.m., the Financing Agreement described below has been assigned to the Consolidated Rail Corporation by the Trustees of:

Lehigh Valley Railroad Company
415 Brighton Street
Bethlehem, Pennsylvania 18015

The Financing Agreement is a Lease Agreement

, dated 11/30/74

bearing the ICC recordation number 7740

The payee's name and address is:

Consolidated Rail Corporation
Post Office Box 23451
L'Enfant Plaza Station
Washington, D.C. 20024

This Notice of Assignment has been placed in the file of the ICC recordation number listed above and the entire assignment is contained in the ICC recordation file stamped in the margin of this assignment. A copy hereof will be promptly mailed to the payee listed above for distribution to the beneficial holder(s) of the Financing Agreement described in this Notice of Assignment.

Consolidated Rail Corporation